

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-10 ISO-00 EURE-00 AID-05 CEA-01

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NEA-10 NSAE-00

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

OIC-02 STR-04 FEAE-00 OES-03 SS-15 NSC-05 L-03 INT-05

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P R 261247Z NOV 75

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TO SECSTATE WASH DC PRIORITY 9405

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

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E.O. 11652: N/A

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SUBJECT: NORTH/SOUTH SUBGROUP MEETING ON INDUSTRIAL AND
TECHNOLOGICAL COOPERATION, NOVEMBER 20-21

1. SUMMARY. IN MEETING OF AHG'S SUBGROUP MARKED BY CONSTRUCTIVE EXCHANGE OF VIEWS AND LITTLE DIVERGENCE OF OPINION, BILATERAL AND MULTILATERAL PROMOTIONAL ACTIVITIES EMERGED AS MOST PROMISING AREA FOR FURTHERING INDUSTRIAL COOPERATION. LITTLE PROGRESS WAS MADE IN CLARIFYING COMPLEX ISSUES OF TECHNOLOGICAL COOPERATION, AND MOST DELS ADOPTED CAUTIOUS ATTITUDE ON INTERNATIONAL SUBCONTRACTING, STRUCTURAL ADJUSTMENT AND CONSULTATIONS. THROUGHOUT DISCUSSIONS THERE WAS GENERAL RECOGNITION OF CRUCIAL ROLE OF PRIVATE ENTERPRISE IN THESE FIELDS AND LIMITED ABILITY OF GOVERNMENTS TO INFLUENCE FIRMS' ACTIVITIES IN DIRECTIONS DEMANDED BY LDC'S. DISCUSSION OF US INSTITUTIONAL INITIATIVES IN INDUSTRIAL AND TECHNOLOGICAL COOPERATION AREAS REVEALED SOME RESERVATIONS BY OTHER DELS REGARDING DESIRABILITY OF NEW INSTITUTIONS AND ACCEPTABILITY BY LDC'S OF ACTION OUTSIDE UN FRAMEWORK GROUP AGREED THAT OECD INDUSTRY COMMITTEE SHOULD BE ASKED FOR VIEWS ON STRUCTURAL ADJUSTMENT AND UNIDO INDUSTRIAL SECTOR CONSULTATIONS. SECRETARIAT WILL PREPARE DRAFT OF CONSOLIDATED REPORT TO AHG REFLECTING OUTCOMES OF BOTH DAC AND SUBGROUP MEETINGS BY END OF NOVEMBER, AND, DEPENDING ON COMMENTS RECEIVED ON SECRETARIAT DRAFT, ANOTHER MEETING OF SUBGROUP MAY BE CALLED TO FINALIZE PAPER. (COMMENT: GIVEN THIS PROCEDURE AND GENERALLY UNCONTENTIOUS COURSE OF THE DAC AND SUBGROUP MEETINGS, WE BELIEVE AHG ITSELF WILL NOT NEED TO DEVOTE ANY SIGNIFICANT TIME TO REHASHING INDUSTRIAL/TECHNOLOGICAL COOPERATION ISSUES AT ITS MEETING SCHEDULED FOR DECEMBER 19). END SUMMARY

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2. INFORMATION AND PROMOTION: SUBGROUP HAD USEFUL EXCHANGE OF VIEWS ON EXPERIENCE UNDER BILATERAL COOPERATION AGREEMENTS, NOTING THEIR RELATIVELY RECENT AND SELECTIVE NATURE. SUBGROUP RECOGNIZED KEY ROLE OF PRIVATE FIRMS AS THE MOTIVE FORCE FOR ACHIEVING CONCRETE RESULTS IN THIS FRAMEWORK, AND CONSEQUENTLY THE IMPORTANCE OF AN IMPROVED CLIMATE FOR PRIVATE SECTOR ACTIVITY IN THE LDC'S. DELS VOICED NO ENTHUSIASM

HOWEVER FOR CANADIAN PROPOSAL MADE AT EARLIER AHG MEETING THAT FRUITFUL WORK COULD BE DONE ON "MODEL AGREEMENT" OR GUIDELINES (CANADIANS THEMSELVES WERE ESSENTIALLY UNINSTRUCTED FOR SUBGROUP MEETING). US DEL (BRAMANTE) DESCRIBED US JOINT COMMISSION SYSTEM AND HOW IT RELATES TO PRIVATE SECTOR ACTIVITIES, USING US-SAUDI ARABIA COMMISSION AS EXAMPLE OF ONE OF LARGEST AND MOST ACTIVE US VENTURES IN THIS FIELD. US DEL NOTED THAT COOPERATION PROGRAMS UNDER THIS COMMISSION ARE REIMBURSED FROM SAUDI FUNDS. SWEDES ALSO MADE GENERAL PRESENTATION OF THEIR EXPERIENCE WITH 10 COUNTRIES, NOTING THE NEED FOR COMPLEMENTARITY BETWEEN THE TWO ECONOMIES INVOLVED, AND THE IMPORTANCE OF CLEAR PROJECT PROPOSALS AND EFFECTIVE FOLLOW UP IF COOPERATION IN THIS FRAMEWORK WERE TO BE A SUCCESS. OTHER DELS MADE RATHER GENERAL COMMENTS, WITH EC STRESSING POINT THAT CLEAR DEFINITION OF EACH SIDE'S SCOPE OF ACTIVITIES IN BILATERAL AGREEMENTS WAS ONE OF THEIR MOST VALUABLE FEATURES. OUTSIDE THE MEETING, JAPANESE DEL TOLD US GOJ CONSIDERED COOPERATIVE EFFORTS WITH OPEC COUNTRIES ALONG LINES OF US-SA JOINT COMMISSION EXTREMELY IMPORTANT AND THAT FIRST JAPANESE-SAUDI JOINT COMMISSION

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WOULD MEET SHORTLY.

3. ON SUBJECT OF MULTILATERAL MECHANISMS, DISCUSSION WAS BRIEF, WITH SWEDEN AND FRG SUGGESTING RESTRUCTURING OF UNIDO BE INCLUDED IN REPORT, AND NETHERLANDS GIVING PLUG FOR TRIANGULAR COOPERATION (SECRETARIAT INDICATED IT HAS PAPER ON THIS SUBJECT IN PREPARATION). US DEL DESCRIBED III AND SUGGESTED SECRETARIAT EXPLORE DESIRABILITY AND FEASIBILITY OF DIRECT PRIVATE SECTOR CONTACTS BETWEEN DC'S, LDC'S, AND OIL PRODUCERS, POINTING TO US/EC/JAPAN TRIPARTITE CONFERENCE AS PRECEDENT. PRELIMINARY REACTION OF SOME DELS WAS TO QUESTION ROLE OECD WOULD PLAY IN ENCOURAGING SUCH CONTACTS AND WHETHER POOREST COUNTRIES WOULD BENEFIT.

4. TECHNOLOGICAL COOPERATION: SUBGROUP RECOGNIZED IMPORTANCE OF JOINT VENTURES INVOLVING PRIVATE DC ENTERPRISES IN PROVIDING EFFECTIVE AVENUE OF TECHNOLOGY TRANSFER, AND DELS AGREED THAT WHILE MEMBER GOVERNMENTS CAN DIRECT THEIR OWN GOVERNMENT-FUNDED RESEARCH PROGRAMS TOWARD MEETING THE NEEDS OF THE LDC'S, SCOPE WAS VERY LIMITED FOR GOVERNMENT ACTION IN FAR MORE SIGNIFICANT AREA OF INDUSTRY-FUNDED RESEARCH. US DEL POINTED OUT DESIRABILITY OF ENCOURAGING OFFICIAL BILATERAL SCIENCE AND RESEARCH DEVELOPMENT PROGRAMS, OF WHICH THERE WERE MANY EXAMPLES. SWEDEN SUGGESTED MEMBER GOVERNMENTS ENCOURAGE THE LOCATION OF RESEARCH PROGRAMS IN THE LDC'S, INSTEAD OF THE DC'S. ON SUBJECT OF PATENTS, GROUP AGREED THAT LDC'S APPEAR TO HARBOR NUMBER OF MISCONCEPTIONS OF SIGNIFICANCE OF PATENT SYSTEM IN TECHNOLOGY TRANSFER, AND THAT ON WHOLE THIS COMPLEX SUBJECT SHOULD BE LEFT FOR DISCUSSION IN EXPERT GROUP SUCH AS WIPO. LIMITED OFFICIAL USE

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5. THERE WAS CONSIDERABLE CURIOSITY ABOUT THE CURRENT STATUS OF US 7TH SPECIAL SESSION INITIATIVES ON INDUSTRIAL/TECHNOLOGICAL COOPERATION, A DESCRIPTION OF WHICH WAS ISSUED AS CE/DG(75)22. DUTCH ASKED HOW INITIATIVES TIE INTO EXISTING INSTITUTIONAL FRAMEWORK. SEVERAL DELS EXPRESSED CONCERN ABOUT THE PROLIFERATION OF INSTITUTIONS, AND DOUBTED NEW BODIES OUTSIDE UN FRAMEWORK WOULD FIND FAVOR WITH LDC'S. THE SWEDISH ALONG WITH THE UK AND BELGIAN DELEGATES EMPHASIZED NEED TO KNOW MORE ABOUT EXISTING INFORMATION SERVICES AND FOR BETTER UNDERSTANDING OF SPECIFICS OF LDC DEMANDS BEFORE MOVING AHEAD WITH NEW INFORMATION INSTITUTIONS. GERMANS AND SWISS SUPPORTED A GENERAL STRENGTHENING OF THE ROLE OF UNIDO IN THE INDUSTRIALIZATION FIELD AND SPECIFICALLY IN THE GATHERING AND DISSEMINATION OF INFORMATION, WITH THE PROPOSED RESTRUCTURING OF UNIDO SEEN AS AN OPPORTUNITY TO ACHIEVE THIS.

6. INTERNATIONAL SUBCONTRACTING: THERE WAS GENERAL AGREEMENT THAT INTERNATIONAL SUBCONTRACTING IS A MATTER OF PRIVATE SECTOR ECONOMIC DECISIONS IN RESPONSE TO MARKET FORCES, AND SHOULD NOT BE THE OBJECT OF SPECIAL INITIATIVES DESIGNED TO ENCOURAGE IT.

7. STRUCTURAL ADJUSTMENTS: MOST DELS AGREED THAT ECONOMIC RESTRUCTURING AS A RESULT OF MARKET FORCES WAS A NATURAL ECONOMIC PROCESS, WHICH MEMBER GOVERNMENTS SHOULD AVOID HINDERING, BUT OPPOSED THE IDEA THAT ANTICIPATORY RESTRUCTURING POLICIES COULD BE ADOPTED. LIBERAL TRADE POLICY WAS IDENTIFIED AS A KEY INSTRUMENT

FOR ENCOURAGING RESTRUCTURING BENEFICIAL TO BOTH DC'S AND LDC'S. FRENCH DEL ARGUED DC'S SHOULD TAKE MORE ACTIVE APPROACH TO THIS QUESTION BY ADOPTING "DYNAMIC" AS OPPOSED TO "STATIC" CONCEPT, AND SPECIFICALLY TAKE INTO ACCOUNT NEW BRANCHES OF INDUSTRY WHERE LDC'S COULD GET IN ON THE GROUND FLOOR. THE SUBGROUP AGREED TO REQUEST THE OECD INDUSTRY COMMITTEE FOR ITS VIEW ON GENERAL QUESTION OF STRUCTURAL ADJUSTMENT.

8. INTERNATIONAL CONSULTATIONS: CONSENSUS OF GROUP WAS LIMITED OFFICIAL USE

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ALONG LINES OF VIEW STRONGLY EXPRESSED BY US DEL, NAMELY THAT CONSULTATIONS OR NEGOTIATIONS WITH THE OBJECTIVE OF REDEPLOYMENT OR FACILITATING REDEPLOYMENT OF PRODUCTIVE CAPACITIES WOULD BE UNACCEPTABLE, BUT DISCUSSIONS TO FACILITATE THE EXCHANGE OF INFORMATION WOULD BE WORTH CONSIDERATION. HOWEVER, US PARTICIPATION IN SUCH DISCUSSIONS WOULD BE DEPENDENT ON TERMS OF REFERENCE AND SCOPE SATISFACTORY TO US. GROUP AGREED INDUSTRY COMMITTEE SHOULD ALSO BE ASKED FOR ITS VIEWS ON THIS SUBJECT. TURNER

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